

**CITY COUNCIL WORK SESSION/BUDGET SESSION
CITY OF WATERTOWN
May 11, 2015
6:30 p.m.**

Mayor Jeffrey E. Graham Presiding

Present: Council Member Roxanne M. Burns
Council Member Joseph M. Butler, Jr.
Council Member Stephen A. Jennings
Council Member Teresa R. Macaluso
Mayor Graham

Also Present: Sharon Addison, City Manager

City staff present: James Mills, Michael Sligar, Justin Wood, Brian Phelps, Kenneth Mix, Yvonne Reff, Scott Weller, Matthew Roy, Peter Monaco, Eugene Hayes, Police Chief Donoghue, Police Captain LaBarge, Deputy Fire Chief Randall

P R O C L A M A T I O N

Mayor Graham interrupted the regular course of business to proclaim May 15 and 16, 2015, as Official Poppy Days in Watertown, and asked all residents to proudly wear the scarlet blossom of honor, the Poppy, and display the flag of our County.

Elizabeth A. Demo, Auxiliary Poppy Chairman from the American Legion Auxiliary Army & Navy Unit 61, thanked Mayor Graham and Council, mentioning the American Legion Auxiliary Poppys are handmade by hospitalized veterans and all the donations received go towards the VA Clinic and various veterans' groups.

D I S C U S S I O N

Police Audit Response

Mayor Graham mentioned everyone was given a copy of the proposed cover letter responding to the recent Police Audit. He explained this will be attached to the report prepared by the Police Chief and if everyone is in agreement, it will be sent out tomorrow.

Volunteer Firemen Convention

Mayor Graham said he was asked to deliver opening remarks on Friday at this event, but unfortunately, he has to be in Potsdam due to a Regional Council meeting. He asked if any other member of Council was available to fill in for him.

Council Member Burns volunteered.

Towing of Cars for the Top of the Square Parking Lot

Mayor Graham noted there was an article in the newspaper regarding cars being towed from this parking lot. He said he was told by the current owner of the property, Brian Murray, that there is no contractual relationship with the towing company. In addition, he stated Mr. Murray told the company that this

should not happen again on his property so this might have been the initiative of the towing company which he thinks is owned by Ricky Fraser. Mayor Graham asked the City Manager to have the Police look into this.

ATM Revenues

Mayor Graham said this report is self explanatory.

Debt Service Budgets in relation to Factory Street Reconstruction

Mentioning the bids on this project coming in lower, Mayor Graham said he understands the savings effects of the Water and Sewer Funds, but as it relates to the General Fund, it allows the City to rely less on an appropriation of CHIPs funding. He wondered if this provides a reservoir of money to be applied to projects done by the Public Works Department for things such as labor expenses.

James Mills, City Comptroller, explained there are guidelines and rules for using CHIPs funding, noting that it must be for capital related expenditures such as roads. Currently, CHIPs funding is used to cover the materials and contracted services related to street projects listed in the Capital Budget.

Mayor Graham said the reliance on CHIPs money for the Factory Street project is less, therefore, there is more available to cover existing Public Works projects. He stressed he does not want to add more projects but would like to use the available CHIPs money for labor expenses on the projects that were already planned.

Mr. Mills advised those projects will be funded by the CHIPs balance on hand because there is a rolling CHIPs account that is funded with approximately \$580,000 annually. He explained this account balance rolls over and can be used to avoid debt for future projects. He noted the City has never drawn from this account to cover labor but if Council wants to, it can. However, he said the effect of using CHIPs money towards labor will cause fewer miles of road to be paved. He explained the City was using approximately \$1 million of CHIPs funding to avoid issuing debt on reimbursable General Fund portions but that number is currently down to \$560,000 so this leaves \$440,000 remaining in the CHIPs account at the State level.

Council Member Butler asked if this project will have any General Fund debt.

Mr. Mills replied the non-reimbursable portion of the project totals approximately \$500,000. He further explained these are items that CHIPs are not able to cover. He said all the reimbursable items are covered by Federal reimbursement, Marchiselli aid or the CHIPs account balance. To get the most out of CHIPs funding, Mr. Mills advised it has only been used for materials in the past and the General Fund has covered the labor costs.

Mayor Graham reiterated that the savings in CHIPs funding should be used towards labor costs on other street paving, noting this requires a change in policy.

Council Member Burns agreed with the Mayor, commenting that she looks at the budget as a whole and not at how much money is put towards paving verses labor. Noting that the lower bid on Factory Street was good news, she said this savings should be applied towards this budget. She added she is not a fan of saving the money for a later date and wondered if doing that would send a message that the funding is not needed.

Council Member Macaluso agreed as well and said it is a matter of changing policy to accomplish this.

Referring to page 253 of the proposed budget, Ms. Addison pointed to the Street Construction section and stressed there is no shortage of streets that need reconstruction in the City. However, she added there is not enough manpower to do all of it so some of the CHIPs funding is banked for the years that the projects go over \$500,000.

Mr. Mills added that some of the CHIPs balance is also used for the inevitable change orders on the projects.

Council Member Butler remarked that the job of the DPW crew is to do this work and putting less CHIPs funding towards materials would result in fewer streets being done.

Eugene Hayes, Superintendent of Public Works, indicated the CHIPs funding that is not used will be saved for larger projects so none of it is lost. He noted the surplus can be used towards the proposed 2015 paving to give a momentary relief but in a few years, when the City needs to do another large project like Factory Street, the money will not be there. He stressed this is a decision that Council must make.

Mayor Graham agreed that the City should do as much paving as it can, but he does not think this is an unreasonable suggestion as a way to equalize things this year.

Council Member Macaluso said she does not have a problem investigating this option to help balance the budget but she does not want to hurt future years. She said she would need to know more information on how much could be used.

Mr. Hayes noted funding from the government is calculated by a formula so the amount that is used this year will have no effect on the amount that will be allocated for the following year.

Council Member Butler mentioned constituents want better streets so there might be criticism if CHIPs money is used towards labor because there will be less money to put towards street repairs.

Council Member Macaluso pointed out that constituents also do not want their taxes to go up.

Council Member Jennings stated he needs more information.

Mr. Hayes will provide a report on the labor costs for the next meeting.

Property Tax Freeze Savings

Council Member Jennings asked if this is the efficiency plan and wondered if it can be modified when more efficiencies are found.

Mr. Mills replied the plan needs to be filed by June 1 and it must show the targeted savings. He noted the City can continue to make efficiencies though, after the plan is submitted.

Council Member Burns pointed out that by staying under the tax cap and filing this plan, the City is doing its part to ensure the residents get a refund check.

Quarterly Financial Report

Mayor Graham thanked Mr. Mills for releasing this report early.

Council Member Butler suggested that the sale of hydropower is not going to make the budgeted amount for this year.

Mr. Mills advised this revenue will be approximately \$216,000 short.

Council Member Butler asked if there are any other significant variations in revenue.

Mr. Mills mentioned that sales tax and hydropower are the most volatile.

Council Member Butler noted sales tax is down but refuse revenue is ahead of the pace from last year.

Regarding expenses, Mayor Graham compared the “YTD % of Budget” for the Fire Department (76.17%) to the Police and DPW Departments asking if it is a result of overtime.

Mr. Mills stated the Fire Department’s cost is very predictable and more fixed than the other departments, noting that 75% is the benchmark. He added that the retroactive payments from the CSEA contract have not all been made but will be done by June 30.

Mayor Graham commented the reports show that most things are coming in under budget.

Five Year Plan - James E. Mills, City Comptroller

Mr. Mills referred Council to the Multi Year Financial Plan section of the proposed budget and discussed assumptions on key pieces such as the property tax levy, cost of living increases, personal services, retirement expenses, health insurance, debt service, state aid, sales tax and the sale of hydropower. He said that on page 289 is the summary of the General Fund Surplus (Deficit), Reserves and Impact of Local Actions which shows the effect on the Fund Balance. He advised the City cannot afford to stay within the tax cap much longer after this year. Noting the estimated deficit for 2014-15 was approximately \$225,000 at the time this proposed budget was prepared, Mr. Mills predicted an unreserved Fund Balance of approximately \$9.4 million which is about 26% of the subsequent year’s revenue source. Looking ahead at future years with only a 2% increase in property tax levy, he explained the projected deficits and future appropriations needed from the fund balance.

Mayor Graham mentioned there are a lot of unknowns, such as hydro production and the restructuring of the Fire Department, and he is looking to the City Manager to propose cuts and further efficiencies.

Mr. Mills stressed the City cannot continue to keep appropriating from the Fund Balance and stay within the minimum Fund Balance needed for cash flow purposes. He explained that out of the approximately \$40 million revenue stream, \$4.6 million in State aid comes in around June 15 and \$1.5 million in sales tax distributions are received on June 15 and again on July 15. Therefore, he said \$7.5 million is not received until the last 15 days of the fiscal year or the first 15 days of the next fiscal year and at that point, all but one payroll has been paid, most of the debt service has been paid and most of the accounts

payable have been paid. He advised that the City does not want to be in the position where it needs to borrow against revenue to meet bills. He reiterated the Fund Balance cannot go below a minimum of \$7.5 - \$8 million balance for cash flow.

Regarding the Multi Year Plan for the Water and Sewer Funds, Mr. Mills reviewed the effect of the Capital Projects on the rates in the future. On page 293, he said the Water Fund is in decent shape with projected rate increases within the 2-3% range. Unfortunately on page 294, he said the Sewer Fund shows a different picture due to the next phase of the Sludge Modification Project which will be completely rate funded because there are no grants available. He advised there will be about a 14% sewer rate increase next year. He clarified that the rate increase is not proposed for this year in preparation for it because there may be a grant that becomes available.

Council Member Butler inquired about the Fund Balance of the Health Insurance Fund.

Matthew Roy, Confidential Assistant to the City Manager, stated it is anticipated to end this year with just over \$2.3 million which is a million dollar swing from last year.

Mr. Mills confirmed for Council Member Butler that the Health Insurance Fund is an \$8.8 million fund and about \$7.5 million of it is funded by the employer premium share. He agreed that this fund is healthy but he projected a 6-7% increase in premiums.

Council Member Butler asked what the worst case scenario could be, mentioning the stop loss coverage.

Mr. Roy responded the worst case scenario would be a year like this year in comparison to last year because utilization continues to go up. He said this can be due to the cost of some of the specialty medications which can cost up to \$200,000 - \$300,000 per year.

Capital Plan - James E. Mills, City Comptroller

Council reviewed each Capital Project beginning on page 254 with Mr. Mills pointing out the funding requirements listed on the bottom of each page and requesting Council's thoughts on the upcoming projects listed in the five-year plan for each fund.

Regarding the Meter Replacement Project, Council Member Macaluso suggested holding off for one year.

Michael Sligar, Water Superintendent, discussed the benefits of the program, highlighting the increase in revenue and better accountability of usage. He said it could be delayed if Council decides but it is putting off the inevitable. He explained the progress of the program over the first two years, summarizing that 63% of the meters have been replaced by spending only one-third of the expected costs and noting that he was able to eliminate one staff position and one vehicle.

The Newell Street Parking Lot Lighting Project was discussed and Mayor Graham said he is hesitant to spend \$30,000 on a parking lot that is used for the private business that is adjacent to it. He suggested the business put LED lighting packs on the side of the building instead.

Council Member Burns stated this amount is insignificant in the overall budget but agreed that over the years, the City has put enough into a parking lot that has been very beneficial to an adjoining business.

Mr. Hayes explained the parking lot is used by City employees, especially during the winter months, so there is a safety concern and an obligation to protect these employees. In regard to other lighting options, he said there are illumination standards that need to be followed. He clarified the light poles would be installed on the north side of the parking lot.

Regarding the Exterior Freight Delivery System, Mr. Hayes stated this would eliminate the need for the building's freight elevator to be replaced. In addition, he explained the building's various uses, and he mentioned the items stored there are not heavy but they are too bulky to carry up flights of stairs.

Mentioning inefficiencies and maintenance issues, Mayor Graham questioned this building's future and wondered if money should be invested in it or should a plan for a new building be developed. He suggested cutting this expense.

Council Member Burns indicated there is no harm in holding off on this for a year in order to look for a better situation.

Council Member Macaluso agreed.

City Hall Boiler Replacement was reviewed and Mayor Graham mentioned that the current boiler is not very old.

Justin Wood, City Engineer, indicated the current system is having ongoing problems and there have been a lot of issues. He said it is not uncommon for this style of boiler to be replaced in 10 years, noting the four units will be replaced by three high-efficiency units. He discussed some of the issues and mentioned the other scheduled improvements to the air handlers.

Council discussed the efficiency of City Hall and Ms. Addison indicated that the building envelope upgrades, such as new windows and insulation, is scheduled for Fiscal Year 2017-18 and is estimated at \$2.5 million.

Regarding the Transit Buses, Council Member Butler asked if smaller buses could be purchased for off-peak hours.

Mr. Hayes replied these are the smallest buses allowed for transit usage. He answered questions regarding other fuel options stating they are cost prohibitive due to the City's small number of buses and the special concerns with storage and fueling stations.

Council Member Butler suggested this is a project to do with other municipalities.

Mayor Graham mentioned the Thompson Park Pool and asked if there is a plan for its removal and the future usage of the building.

Ms. Addison said they are factoring all those questions into an overall Thompson Park plan.

Mayor Graham commented there are some exciting things happening at the Park with the interest in the Children's Playground, the Fort Drum Monument and the Splash Park.

Council Member Macaluso questioned the increase in utilities for the Thompson Park under the operating expenses.

Mr. Mills explained it is an effort to start properly accounting the different funds for each other's usage and this was typically written off to the Water and Sewer Funds. He said if water is being used by a General Fund account then that account should be billed in order to make the Water Fund whole.

Police Budget - Charles P. Donoghue, Police Chief

Council Member Macaluso asked what the City is responsible for in regard to the Public Safety Building and how much it costs.

Charles Donoghue, Police Chief, said the obligation of \$157,555 towards the Capital Fund is completed.

Ms. Addison explained there are two line items on page 80; \$173,500 for Public Safety Building Maintenance and \$22,000 for Public Safety Building Capital.

Mr. Mills clarified \$22,000 is for the County's new capital project (parking lot and roof) and the initial debt service has been extinguished.

Mayor Graham pointed out there are aspects of that contract that have been breached by the other side, particularly the arraignment issue, so he does not think the City should accept any more debt service. He said there is an assumption that the City will pay 18% for whatever projects the County decides to do without being a part of the decision process. He suggested areas where the City might be able to contain costs within the building, and wondered if there should be an exit strategy or if the City should be more in a tenant relationship.

The possibility of the City's obligation for future capital projects and the lack of notification by the County were discussed further.

Council Member Burns mentioned the goal on page 77 regarding computer upgrades and a dedicated IT staff member for the Police Department and wondered if there is enough IT staff for this.

Ms. Addison indicated there is a proposal to increase IT staff by one person and currently, there is a resource that is primarily dedicated to the Police Department.

Council Member Butler asked about the speed of the computers within the cars.

Michael LaBarge, Police Captain, replied the connection issue has been corrected and the computers are working well in the cars.

Mayor Graham mentioned a recent issue in the news regarding the use of tasers and asked how often the Watertown Police use them.

Chief Donoghue discussed the policy on taser use and described an incident occurring locally in which a taser was used in place of a firearm. He stressed that with proper training and appropriate use, tasers are very successful in reducing serious injuries to both Police Officers and suspects.

Discussion centered on crime and drug issues within the City, as well as the staffing of the Drug Task Force.

Council Member Macaluso questioned the decrease in contract services listed on page 78.

Mr. Mills explained this is due to the decrease in debt service of the Public Safety Building.

Council Member Butler asked for more information on the Tuition Assistance.

Chief Donoghue explained the purpose is for staff to take criminal justice classes.

Department of Public Works Budget - Eugene P. Hayes, Superintendent

This topic will be discussed on Thursday, May 14 at 7:00 p.m.

Work session ended at 9:15 p.m.

Ann M. Saunders
City Clerk